

Message Text

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0437
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

UNCLAS SECTION 01 OF 03 BRUSSELS 06567

USEEC

PASS AGRICULTURE ELECTRONICALLY
GENEVA ALSO FOR USMTN
PARIS ALSO FOR USOECD

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TAGS: EAGR, EEC
SUBJ: COUNCIL OF AGRICULTURAL MINISTERS, APRIL 20-21,
1977

REF: (A) EC BRUSSELS 5085, (B) 76 EC BRUSSELS 10460,
(C) EC BRUSSELS 5456, (D) TOFAS 139

1. SUMMARY: IN AN UNEVENTFUL SESSION, THE COUNCIL
FOCUSED ON MONETARY COMPENSATORY AMOUNTS (MCA'S) AND WINE.
COMMISSION PROPOSALS FOR CHANGES IN THE CALCULATION OF
MCA'S (WHICH WOULD PERMIT REDUCTIONS IN CERTAIN SECTORS)
AND FOR PREFIXING OF MCA'S ON THIRD COUNTRY TRADE WERE NOT
ACTED UPON. SERIOUS CONSIDERATION OF THESE PROPOSALS IS
NOT LIKELY TO OCCUR UNTIL NEXT FALL WHEN THE COMMISSION
IS EXPECTED TO PRESENT BROAD PROPOSALS AIMED AT THE
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EVENTUAL ELIMINATION OF MCA'S. THE COUNCIL APPROVED
SUBSIDIES FOR THE PRIVATE STORAGE OF GRAPE MUST AND
AMENDED THE CONDITIONS TRIGGERING PREVENTIVE DISTILLATION
OF WINE. THE COUNCIL ALSO FIXED DERIVED INTERVENTION
PRICES FOR OILSEEDS, AT THE SAME TIME COMMITTING ITSELF
TO UNSPECIFIED MEASURES TO HELP THE ITALIAN CRUSHING
INDUSTRY, AND PROVIDED FOR EC FUNDING OF EXPORT SUBSIDIES

FOR GRAIN PRODUCTS MANUFACTURED IN THE FRENCH OVERSEAS DEPARTMENTS. THE FILE ON EXCLUSIVE USE OF DAIRY PRODUCTS WAS REVIEWED AND SENT BACK TO THE SPECIAL AGRICULTURAL COMMITTEE. GRAIN THRESHOLD PRICES FOR 1977/78 AND PRODUCER SUBSIDIES FOR THE 1976 HOPS HARVEST WERE APPROVED WITHOUT DEBATE. AT THE CONCLUSION OF THE MEETING, COUNCIL PRESIDENT SILKIN REVIEWED THE ACCOMPLISHMENTS OF HIS 6-MONTH TERM. END SUMMARY.

2. MCA'S. AT THE LAST MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS (REF. A), THE COMMISSION SUBMITTED A PROPOSAL PERMITTING USE OF A PRICE LOWER THAN THE INTERVENTION PRICE IN THE CALCULATION OF MCA'S. IT WAS ANTICIPATED THAT THE COMMISSION MIGHT USE THIS AUTHORITY TO REDUCE MCA'S FOR PORK AND GRAINS. THE PROPOSAL WAS STRONGLY OPPOSED BY THE GERMANS, WHO ARE RELUCTANT TO SEE ANY EROSION OF THE FAVORABLE POSITION THEY ENJOY UNDER THE CURRENT MCA SYSTEM, AND BY DENMARK, IRELAND, AND THE BENELUX COUNTRIES, WHO FEAR THAT PIECE-MEAL REFORM OF THE MCA SYSTEM COULD UNDERMINE THEIR PUSH FOR AN OVERALL RESOLUTION OF THE MCA PROBLEM. THE COMMISSION PROPOSAL WAS SUPPORTED BY THE FRENCH, ITALIAN AND UK DELEGATIONS. A SIMILAR ALIGNMENT OF MEMBER STATES OCCURRED WITH RESPECT TO THE POSSIBILITY OF PREFIXING MCA'S APPLICABLE TO THIRD COUNTRY TRADE, WHICH WAS ALSO PROPOSED BY THE COMMISSION AT THE LAST UNCLASSIFIED

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SESSION. THE COMMISSION HAS ARGUED THAT IT HAS THE AUTHORITY TO INTRODUCE PREFIXING UNILATERALLY BUT SEVERAL MEMBER STATES HAVE TAKEN ISSUE WITH THIS CLAIM. GERMANY, IN PARTICULAR, HAS BEEN ADAMANT IN REJECTING COMMISSION COMPETENCE IN THIS AREA. IT SEEMS UNLIKELY THAT THE COMMISSION WILL MOVE IN THIS AREA WITHOUT A SOFTENING OF MEMBER STATE OPPOSITION.

3. THE COMMISSION HAS ANNOUNCED THAT BEFORE OCTOBER 1, 1977 IT WILL MAKE NEW PROPOSALS FOR A BASIC SOLUTION OF THE MCA PROBLEM. THERE IS SOME SPECULATION THAT THESE NEW PROPOSALS COULD INVOLVE THE USE OF THE NEW BASKET UNIT OF ACCOUNT (EUA). EXISTING COMMISSION PROPOSALS FOR THE AUTOMATIC ADJUSTMENT AND PHASED ELIMINATION OF MCA'S, WHICH WERE INTRODUCED IN OCTOBER 1976 AND HAVE NOT YET BEEN WITHDRAWN, WERE REPORTED IN REF. B. WHILE THE COMMISSION PROPOSALS FOR PREFIXING OR FOR CHANGES IN THE CALCULATION OF MCA'S MAY BE DISCUSSED AT THE NEXT COUNCIL MEETING, THE MEMBER STATE POSITIONS MAKE IT PROBABLE THAT SERIOUS CONSIDERATION OF THESE PROPOSALS WILL NOT OCCUR UNTIL THE COMMISSION'S OVERALL APPROACH IS UNVEILED IN THE FALL.

4. SEVERAL MEMBER STATES (AGAIN LED BY GERMANY) ALSO COMPLAINED ABOUT THE COMMISSION'S INTENTION TO REDUCE MCA'S ON CHEESE AND NFDM BY EXCLUDING THE PROCESSING MARGIN FOR THESE PRODUCTS FROM THE CALCULATIONS. A PROPOSAL HAS ALREADY GONE THROUGH THE MANAGEMENT COMMITTEE WHICH WOULD EFFECT THESE CHANGES AUGUST 1, 1977. DESPITE THESE COMPLAINTS, THE COMMISSION IS STILL EXPECTED TO APPROVE THIS MEASURE.

5. WINE. THE COMMISSION PRESENTED ITS PERIODIC

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REPORT TO THE COUNCIL ON THE DEVELOPMENT OF THE WINE SITUATION IN THE COMMUNITY; THE SPECIAL AGRICULTURAL COMMITTEE HAS BEEN ASKED TO EXAMINE THIS REPORT. THE COMMISSION TOOK THE FOLLOWING DECISIONS ON WINE:

A. THEY PROVIDED FOR SUBSIDIES FOR THE PRIVATE STORAGE OF GRAPE MUSTS (INCLUDING CONCENTRATES).

B. THEY REDUCED THE TRIGGER POINT AT WHICH PREVENTIVE DISTILLATION MEASURES MAY BE TAKEN FOR POOR QUALITY WINES FROM 10 TO 7 MILLION HECTOLITERS UNDER STORAGE CONTRACTS. FOR WINES USED IN THE MANUFACTURE OF EAU-DE-VIE (COGNAC) A TRIGGER POINT OF 1 MILLION HECTOLITERS IN STORAGE HAS BEEN FIXED FOR PREVENTIVE DISTILLATION MEASURES.

A NUMBER OF OTHER QUESTIONS WERE DISCUSSED CONCERNING

THE METHOD OF CALCULATING AVERAGE MARKET PRICES,
ADMINISTRATIVE SIMPLIFICATION OF THE IMPORT REGIME FOR
CERTAIN WINES, ETC., AND WERE REFERRED BACK TO THE
SPECIAL AGRICULTURAL COMMITTEE. IN THE COURSE OF THE
COUNCIL DISCUSSION THE FRENCH DELEGATION COMPLAINED
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ABOUT THE USE OF THE DENOMINATION "CLARET" ON AUSTRALIAN
WINE EXPORTS TO THE UK. SUCH WINE CURRENTLY ENTERS
THE EC UNDER AN EXEMPTION DUE TO EXPIRE AUGUST 31, 1977.
THE AUSTRALIANS HAVE BEEN PRESSING FOR AN EXTENSION OF
THIS DEROGATION. IN VIEW OF THE FRENCH COMPLAINT,
CHANCES OF DEROGATION ARE NOW REGARDED AS DIM.

6. EXCLUSIVE USE OF DAIRY PRODUCTS. THE COUNCIL ALSO
DISCUSSED THE COMMISSION PROPOSAL TO ESTABLISH RULES
GOVERNING THE MARKETING OF DAIRY PRODUCTS WHICH WOULD
REQUIRE EXCLUSIVE USE OF MILK FATS AND PROTEINS IN
DAIRY PRODUCTS. THIS ISSUE WAS SENT BACK TO THE
SPECIAL AGRICULTURAL COMMITTEE AND WILL BE CONSIDERED
AGAIN AT THE NEXT COUNCIL MEETING. THE UK, WHICH USES
A CONSIDERABLE AMOUNT OF VEGETABLE OIL PRODUCTS IN THE
MANUFACTURE OF DAIRY-TYPE PRODUCTS SUCH AS ICE CREAM,
HAS THE GREATEST DIFFICULTIES WITH THE COMMISSION'S
PROPOSAL. UK SPOKESMEN INDICATED, HOWEVER, THAT THE
DUTCH AND ITALIAN DELEGATIONS WERE ALSO CONCERNED ABOUT
ROE ADOPTION OF TOO STRICT LEGISLATION.

7. OTHER.

A. AFTER CONSIDERABLE DEBATE, THE COUNCIL FIXED
THE DERIVED INTERVENTION PRICES FOR OILSEEDS FOR THE
1977/78 MARKETING YEAR. THE DEBATE WAS OCCASIONED BY
ITALIAN INSISTENCE ON SPECIAL MEASURES TO AID ITS
RAPESEED CRUSHERS. THE COUNCIL INDICATED THAT THIS
REQUEST WAS TAKEN INTO ACCOUNT IN FIXING THE DERIVED
INTERVENTION PRICES; HOWEVER, THEY ALSO REQUESTED THE
COMMISSION TO PROPOSE CERTAIN OTHER MEASURES TO AID THE
ITALIAN CRUSHING INDUSTRY. IT WAS SUGGESTED THAT THE
INCLUSION OF EC VEGETABLE OIL IN THE COMMUNITY'S FOOD
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AID PROGRAM MIGHT BE ONE OF THESE PROPOSALS.

B. THE COUNCIL APPROVED A REGULATION PROVIDING FOR
EC FUNDING OF EXPORT SUBSIDIES ON PROCESSED

GRAIN PRODUCTS MANUFACTURED IN THE FRENCH OVERSEAS TERRITORIES. COMMISSION OFFICIALS SAY THAT, ALTHOUGH THE GRAIN CAP APPLIES TO THESE TERRITORIES, THERE HAD NOT PREVIOUSLY BEEN ANY PROVISION FOR FUNDING OF MARKET SUPPORT MEASURES IN THESE TERRITORIES.

C. A NUMBER OF REGULATIONS CONCERNING SUGAR, THE MINIMUM PRICE FOR TOMATO CONCENTRATES, AIDS FOR CANNED PINEAPPLES, IMPORT QUOTAS FOR LIVE CATTLE, AND OTHER AGRICULTURAL MEASURES WERE APPROVED AS A-POINTS BY THE COUNCIL. THESE WILL BE REPORTED AS THE REGULATIONS APPEAR IN THE OFFICIAL JOURNAL. THE COUNCIL ALSO APPROVED AS A-POINTS THE GRAIN THRESHOLD PRICES FOR 1977/78 AND PRODUCER SUBSIDIES FOR THE 1976 HOPS HARVEST. THESE REGULATIONS ARE IDENTICAL TO THE COMMISSION PROPOSALS REPORTED IN REFS. C AND D EXCEPT THAT A SUBSIDY OF 550 U.A./HECTARE HAS BEEN SET FOR THE TARDIF DE BOURGOGNE HOPS VARIETY.

D. SEVERAL DELEGATIONS REQUESTED THAT THE FAIRLY RADICAL CHANGE IN THE COUNCIL THINKING.

B. ADOPTION OF THE MILK ACTION PROGRAM.

C. MAINTENANCE OF CERTAIN UK INSTITUTIONS, WHICH HE FELT WOULD EVENTUALLY PROVE TO BE OF VALUE TO THE EC AS A WHOLE. HE SPECIFICALLY MENTIONED THE VARIABLE SLAUGHTER PREMIUM FOR CATTLE AND THE HOPS MARKETING BOARD.

D. ADOPTION OF EC VETERINARY LEGISLATION.
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E. PROGRESS IN THE ESTABLISHMENT OF EC LABELLING LAWS.

SILKIN SAID THAT HE FELT A MUCH GREATER CONSCIOUSNESS OF CONSUMER INTEREST WAS DEVELOPING IN THE DELIBERATIONS OF THE AGRICULTURAL MINISTERS. MORRIS

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C O R R E C T E D C O P Y (TEXT CORRECTION)

A. ADOPTION OF THE PRICE PACKAGE. SILKIN NOTED
THAT THIS WAS THE LOWEST OVERALL PRICE INCREASE SINCE
THE UK HAD ENTERED THE COMMON MARKET AND OPINED THAT
THE PACKAGE REPRESENTED A FAIRLY RADICAL CHANCE IN THE
COUNCIL THINKING.

B. ADOPTION OF THE MILK ACTION PROGRAM.

C. MAINTENANCE OF CERTAIN UK INSTITUTIONS, WHICH
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